

Message Text

CONFIDENTIAL

PAGE 01 SAO PA 02787 01 OF 02 062000Z

47

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

TRSE-00 AID-05 COME-00 EB-07 FRB-03 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 DHA-02 ACDA-07 IO-13

NRC-05 OES-06 ERDA-05 FEA-01 /122 W

----- 017224

R 061840Z DEC 76

FM AMCONSUL SAO PAULO

TO SECSTATE WASHDC 7329

INFO AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

C O N F I D E N T I A L SECTION 1 OF 2 SAO PAULO 2787

E.O. 11652: GDS

TAGS: PINT, BR

SUBJ: INTERVIEW WITH GOVERNOR PAULO EGYDIO MARTINS

REF: SAO PAULO 1430, 1430; 75 SAO PAULO 2677; 75 SAO PAULO 1453

1. BEGIN SUMMARY. SAO PAULO GOVERNOR, PAULO EGYDIO MARTINS, RECEIVED CONSUL GENERAL DECEMBER 2 FOR REGULAR SEMI-ANNUAL HALF-HOUR VISIT. PRINCIPAL TOPICS WERE THE RECENT BRAZILIAN MUNICIPAL ELECTIONS; THE ECONOMIC DIFFICULTIES FACING BRAZIL, ITS STATE AND LOCAL GOVERNMENTS; THE GOVERNOR'S REACTIONS TO THE U.S. ELECTION CAMPAIGN; AND HIS UNCERTAINTY ABOUT FUTURE POLITICAL DEVELOPMENTS IN BRAZIL. END SUMMARY.

2. BRAZILIAN MUNICIPAL ELECTIONS: AS AN OPENING GAMBIT, CONSUL GENERAL CONGRATULATED THE GOVERNOR ON THE SUCCESS OF HIS PARTY IN THE RECENT MUNICIPAL ELECTIONS, AND THE GOVERNOR RESPONDED WITH CONGRATULATIONS ON THE ELECTION OF GOVERNOR CARTER. THE GOVERNOR SAID THAT BOTH HE AND THE PRESIDENT WERE PLEASED WITH THE RESULTS. THE ARENA HAD DONE MUCH BETTER IN THE CITY OF SAO PAULO, IN THE SURROUNDING INDUSTRIAL CITIES (ALTHOUGH LOSING THEM) AND THROUGHOUT THE STATE THAN HE HAD ANTICIPATED. HE RIDICULED THE POLITICAL ANALYSIS OF A POLITICAL SCIENCE PROFESSOR AND LONG STANDING FRIEND WHO HAD COME TO SEE HIM SHORTLY AFTER THE ELECTIONS AND MAINTAINED THAT THE VOTE DEMONSTRATED "IDEOLOGICAL VOTING." A
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 SAO PA 02787 01 OF 02 062000Z

FORMER MASSEUR OF THE BRAZILIAN NATIONAL FOOTBALL TEAM AND POLITICAL

NOVICE HAD BEEN ONE OF THE LEADING MDB VOTE GETTERS IN SAO PAULO, FOR EXAMPLE, AND THE GOVERNOR WENT ON TO CITE MANY OTHER EXAMPLES TO SHOW THAT THE VOTES CAST FOR THE 124 CANDIDATES FOR THE CITY COUNCIL BY BRAZIL'S LARGEST ELECTORATE WERE ON A HIGHLY PERSONAL BASIS. PERSONAL PREDILECTION PLAYED A LARGE PART AND THERE WAS NOT MUCH VOTING FOR THE PARTY, WITHOUT NAMING A CANDIDATE, AS THERE WOULD HAVE BEEN IF THE VOTING HAD OCCURRED ALONG IDEOLOGICAL LINES. HE THOUGHT LEFTIST THEORISTS IN THE UNIVERSITIES WERE FORTUNATELY TOO THEORETICAL AND OVER-SOPHISTICATED IN THEIR ANALYSES AND REMOVED FROM PRACTICAL POLITICS. THIS WAS A GOOD THING FOR SAO PAULO BECAUSE THE CITY AND THE SURROUNDING INDUSTRIAL AREAS HAD THE ONE CONCENTRATION OF PEOPLE AND PENT UP FRUSTRATIONS IN WHICH A TRUE REVOLUTION COULD OCCUR. THE GOVERNOR WAS THEREFORE CONCERNED ABOUT ECONOMIC CONDITIONS IN BRAZIL IN THE NEXT TWO YEARS AND THE LIMITED MEASURES HE MIGHT BE ABLE TO AFFORD TO IMPROVE CONDITIONS IN THE SAO PAULO METROPOLITAN AREA.

3. BRAZILIAN ECONOMY IN 1977 AND STATE AND MUNICIPAL BUDGETS:

THE GOVERNOR NOTED THAT THE BRAZILIAN ECONOMY HAD TURNED IN A MUCH MORE FAVORABLE PERFORMANCE THAN WE HAD ANTICIPATED DURING OUR CONVERSATION A YEAR AGO. (75 SAO PAULO 2677). HE AGREED WITH MINISTER REIS VELLOSO THAT THE GOVERNMENT WOULD NOW HAVE TO TAKE THE MEASURES IN 1977 WHICH IT SHOULD HAVE TAKEN IN 1976. HE SAW SIGNS THAT THE CREDIT RESTRICTIONS WERE BEGINNING TO WORK. HE DID NOT ANTICIPATE SUBSTANTIAL UNEMPLOYMENT IN SAO PAULO UNLESS (1) THE GOVERNMENT HAD TO MAKE MUCH MORE SEVERE CUTS IN INVESTMENTS THAN THOSE ALREADY ANNOUNCED AND (2) THE OPEC COUNTRIES RAISED THE PRICE OF PETROLEUM MORE THAN 10 PERCENT. HE THOUGHT FURTHER INVESTMENT CUTS WOULD BE LINKED TO A HIGHER PETROLEUM PRICE RISE. HIS OWN BUDGET WAS PREDICATED UPON A 10 PERCENT PETROLEUM PRICE RISE AND IN HIS AUSTERITY BUDGET (SAO PAULO 2119), HE HAD ANTICIPATED FEDERAL GOVERNMENT INVESTMENT CUTBACKS. THUS HE WOULD NOT BE BADLY AFFECTED. HE EXPECTED TO CONTINUE WITH THE MAJOR HIGHWAY, VIA NORTE, LEADING TO CAMPINAS AND THE VIRACOPOS AIRPORT AND WITH THE PROVISION OF POTABLE WATER TO THE SAO PAULO METROPOLITAN AREA. THE SEWERAGE SYSTEM HE WOULD HAVE TO LEAVE LARGELY AS IT WAS FOR LACK OF FUNDS. THE NEW SAO PAULO DOMESTIC AIRPORT WOULD HAVE TO BE POSTPONED UNTIL AFTER HIS TERM OF OFFICE ENDED IN 1979, UNLESS HE COULD OBTAIN MEDIUM AND LONG-TERM FOREIGN LOANS. THE PRECARIOUS OPERATION OF CONGONHAS WOULD CONTINUE, CONFIDENTIAL

CONFIDENTIAL

PAGE 03 SAO PA 02787 01 OF 02 062000Z

BUT HE HAD BEEN WARNED THAT IF THERE WERE A MAJOR AIRLINE DISASTER AT CONGONHAS, THE FEDERAL GOVERNMENT WOULD SIMPLY CLOSE IT DOWN. TURNING TO STATE BUDGETS, THE GOVERNOR STATED EMPHATICALLY THAT ALL THE STATES, NOT JUST THE MAJORITY, WERE IN SERIOUS BUDGET DIFFICULTY. HE HAD BEEN RESTRICTED IN WHAT HE COULD BORROW DOMESTICALLY AND HAD BEEN FLATLY REFUSED FEDERAL AUTHORIZATION TO USE THE LINE OF CREDIT WHICH HAD HAD NEGOTIATED WITH THE MORGAN GUARANTY BANK AND WHICH DID NOT NEED A FEDERAL GUARANTEE. THE

GOVERNOR ADDED THAT THE RECENTLY ELECTED MDB MAYORS IN INDUSTRIAL CITIES AROUND SAO PAULO HAD BEEN ASTOUNDED TO LEARN THAT THE CITIES OWED THE STATE 6 MONTHS IN BACK ELECTRICITY BILLS AND THERE WAS NO READY WAY THAT THEY COULD PAY THEM. HE WOULD WORK WITH THE NEW MAYORS AND NOT SQUEEZE THEM, BUT THEY WERE IN A STATE OF SHOCK. CONDITIONS WOULD GET WORSE, IF THERE WERE A MAJOR PETROLEUM PRICE RISE.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 SAO PA 02787 02 OF 02 062009Z

47

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

TRSE-00 AID-05 COME-00 EB-07 FRB-03 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 DHA-02 ACDA-07 IO-13

NRC-05 OES-06 ERDA-05 FEA-01 /122 W

----- 017312

R 061840Z DEC 76

FM AMCONSUL SAO PAULO

TO SECSTATE WASHDC 7330

INFO AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

C O N F I D E N T I A L SECTION 2 OF 2 SAO PAULO 2787

4. REACTIONS TO THE AMERICAN ELECTIONS: THE GOVERNOR SAW THE THREE MAJOR AREAS OF BRAZILIAN/U.S. RELATIONS AFFECTED BY THE ELECTIONS AS: 1) HUMAN RIGHTS; 2) NUCLEAR ENERGY DEVELOPMENT IN BRAZIL; 3) BILATERAL TRADE COMPLAINTS AND PROBLEMS. THE GOVERNOR SAID HE OBVIOUSLY COULD NOT RUN AROUND APPLAUDING IN PUBLIC AMBASSADOR CRIMMINS' RECENT SPEECH IN BELO HORIZONTE ON HUMAN RIGHTS, BUT HE THOUGHT IT HAD BEEN EXCELLENT AND JUST THE RIGHT MESSAGE FOR THE HARD HEADS (HERE HE TAPPED HIS OWN HEAD) AMONG THE MILITARY. IT WAS NECESSARY. THE GOVERNOR THEN LAUNCHED INTO A LONG DIS- SERTATION ON BRAZIL'S NEED FOR NUCLEAR TECHNOLOGY WHICH ESSENTIALLY BOILED DOWN TO A NATIONAL DEFENSE CASE. BRAZIL'S NEIGHBOT, ARGENTINA, WAS SAID TO BE VERY ADVANCED IN NUCLEAR TECHNOLOGY, AND BRAZIL COULD NOT SIT IDLY BY WHILE A COUNTRY WITH SO MANY UNSTABLE AND EVEN GUERRILLA ELEMENTS DEVELOPED A NUCLEAR WEAPONS CAPABILITY. HE DID NOT CRITICIZE THE UNITED STATES, BUT SIMPLY NOTED PRESIDENT-ELECT CARTER'S STATEMENTS DURING THE CAMPAIGN AS AN ISSUE AFFECTING US/BRAZILIAN RELATIONS. PURSUANT TO SPECIFIC

INSTRUCTIONS FROM THE AMBASSADOR NOT TO COMMENT ON THE DELICATE ISSUE OF THE BRAZILIAN NUCLEAR ENERGY PROGRAM, I LIMITED MYSELF TO SAYING THAT IT WAS NOT UP TO A MERE CONSUL GENERAL TO COMMENT ON MATTERS OF HIGH POLICY, BUT I DID SEE THAT THE GOVERNOR PERSONALLY RECEIVED COPIES OF THE PRESIDENT'S OCTOBER 28 STATEMENT ON NUCLEAR ENERGY AND THE PRESIDENT-ELECT'S MAY 26 SPEECH IN NEW YORK ON THE SAME SUBJECT SO THAT HE WOULD HAVE CLEAR EXPOSITIONS OF U.S. CONFIDENTIAL

CONFIDENTIAL

PAGE 02 SAO PA 02787 02 OF 02 062009Z

VIEWS. ON THE QUESTION OF BILATERAL TRADE PROBLEMS, THE GOVERNOR DISMISSED THESE AS MATTERS WHICH COULD BE WORKED OUT.

5. FUTURE POLITICAL DEVELOPMENTS IN BRAZIL: I ASKED THE GOVERNOR WHETHER HE COULD CORROBATE PRESS REPORTS THAT SEVERAL GOVERNORS AFTER MEETING WITH PRESIDENT GEISEL HAD INDICATED THAT THE TWO-PARTY SYSTEM WOULD BE MAINTAINED IN BRAZIL THROUGHOUT THE PRESIDENT'S TERM AND THAT THE 1978 NATIONAL ELECTIONS WOULD BE HELD ON SCHEDULE, ALTHOUGH THE FORMAT WAS NOT YET IMMUTABLY FIXED. THE GOVERNOR REPLIED THT, AS FAR AS HE KNEW, THE PRESIDENT HAD NOT YET TAKEN ANY DECISIONS ON THESE TWO MATTERS. THESE WERE POSSIBLE DEVELOPMENTS, BUT THE GOVERNOR DID NOT EXCLUDE OTHER, UNSPECIFIED OPTIONS. THE GOVERNOR REPORTED THAT THERE WAS NO CHANGE IN THE PRESIDENTIAL SUCCESSION SITUATION SINCE OUR LAST CONVERSATION (SAO PAULO 2119). ALL THE CANDIDATES WERE STILL IN THE RACE, BUT THE CANDIDACY OF GENERAL FIGUEIREDO HAD NOT IMPROVED AS A RESULT OF THE LATEST PROMOTIONS OF THE TWO MOST SENIOR THREE-STAR GENERALS TO FOUR-STAR RANK. THE GOVERNOR SAID FUTURE POLITICAL DEVELOPMENTS WOULD DEPEND TO A LARGE EXTENT ON THE DEVELOPMENT OF THE BRAZILIAN ECONOMY. DECISIONS WOULD HAVE TO BE MADE IN THE LIGHT OF THE ECONOMY AS IT EXISTED IN 1978.

6. U.S. TRADE CENTER IN SAO PAULO: I BRIEFED THE GOVERNOR ON THE LATEST DEVELOPMENTS ON THE TRADE CENTER.
CHAPIN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ELECTION RESULTS, DIPLOMATIC DISCUSSIONS, MUNICIPAL GOVERNMENT, ECONOMIC TRENDS, GOVERNMENT REACTIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976SAOPA02787
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760450-0885
From: SAO PAULO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761269/aaaachti.tel
Line Count: 207
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 SAO PAULO 1430, 75 SAO PAULO 2677, 75 SAO PAULO 1453
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 13 NOV 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13 NOV 2003 by GarlanWA>; APPROVED <25 OCT 2004 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INTERVIEW WITH GOVERNOR PAULO EGYDIO MARTINS
TAGS: PINT, BR, US, (MARTINS, PAULO EGYDIO)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006